

**CLARKE COUNTY SANITARY LANDFILL COMMISSION**

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**Financial Statements**  
**(With Independent Auditor's Reports Thereon)**  
**June 30, 2011 and 2010**



**Shull**  
and Co. P.C.  
certified public accountants

# CLARKE COUNTY SANITARY LANDFILL COMMISSION

## OFFICIALS

<u>Names of Officials</u>	<u>Title</u>	<u>Representing</u>
Don Reasoner	Chairman	Clarke County
Evelyn Kent	Secretary-Treasurer	
Harley Pippin	Member	At Large
Randy Wright	Member	City of Woodburn
James Kimball (through January 2011)	Member	City of Osceola
Robert Fisher	Member	City of Murray



# Shull

and Co. P.C.  
certified public accountants

## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Clarke County Sanitary Landfill Commission

We have audited the accompanying financial statements of Clarke County Sanitary Landfill Commission as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clarke County Sanitary Landfill Commission as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2011 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*Shull & Co., P.C.*

November 4, 2011

# CLARKE COUNTY SANITARY LANDFILL COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Clarke County Sanitary Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The Commission's operating revenues decreased 12.0%, or \$61,690 from fiscal 2010 to fiscal 2011 due to a withdrawing member's contribution toward closure and postclosure care costs.
- The Commission's operating expenses were 11.1%, or \$99,398 lower in fiscal 2011 than in fiscal 2010.
- The Commission's net assets decreased \$217,461 from June 30, 2010 to June 30, 2011.

### USING THIS ANNUAL REPORT

The Clarke County Sanitary Landfill Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Clarke County Sanitary Landfill Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2011

**FINANCIAL ANALYSIS OF THE COMMISSION**

*Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2011 were approximately negative \$122,000. This compares to net assets of approximately \$95,000 at the end of fiscal 2010.

State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The invested in capital assets (e.g., land, buildings and equipment) less the related debt portion of net assets are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste and per capita assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year with a significant decrease in the net assets at the end of the fiscal year.

In fiscal 2011, operating revenues increased by \$61,690, or 12.0% primarily as a result of a withdrawing member's contribution toward closure and postclosure care costs. Operating expenses decreased by \$99,398 or 11.1%. The increase was primarily a result of decreases in operating contract costs and depreciation and amortization.

*Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes long term debt payments and the purchase of capital assets. Cash used by investing activities includes cash deposited to restricted accounts and interest income.

**CAPITAL ASSETS**

At June 30, 2011, the Association had approximately \$20,000 invested in capital assets, net of accumulated depreciation of approximately \$1,203,000. Depreciation charges totaled \$110,561 for fiscal 2011. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2011

**LONG-TERM DEBT**

At June 30, 2011, the Association had \$1,234,745 in debt outstanding, an increase of \$411,490 from 2010. The table below summarizes outstanding debt by type.

	June 30,	
	2011	2010
General obligation bonds	\$ 180,000	-
Closure and postclosure care cost	1,054,745	823,255
Total	<u>\$ 1,234,745</u>	<u>823,255</u>

Additional information about the Association's long-term debt is presented in Notes 4 and 5 to the financial statements.

**ECONOMIC FACTORS**

During the current fiscal year, the financial position of Clarke County Sanitary Landfill Commission deteriorated. In addition, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- The Commission has stopped accepting waste on January 7, 2011.
- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year operations will consist of closure and postclosure care activities. The Commission intends to maintain a close watch over resources to maintain its ability to react to unknown issues.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clarke County Sanitary Landfill Commission, Clarke County Courthouse, 100 South Main Street, Osceola IA 50213.

CLARKE COUNTY SANITARY LANDFILL COMMISSION

Statements of Net Assets

June 30, 2011 and 2010

ASSETS	2011	2010
Current assets		
Cash	\$ 144,466	182,039
Accounts and interest receivable	7,956	52,797
	<u>152,422</u>	<u>234,836</u>
Restricted assets		
Cash	<u>946,745</u>	<u>490,055</u>
Capital assets		
Land improvements	1,153,304	1,153,304
Buildings and improvements	30,111	110,186
Equipment	<u>39,939</u>	<u>39,939</u>
	1,223,354	1,303,429
Less accumulated depreciation and amortization	<u>1,203,186</u>	<u>1,092,625</u>
	<u>20,168</u>	<u>210,804</u>
	<u>\$ 1,119,335</u>	<u>935,695</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,255	14,136
Accrued interest payable	1,621	-
Accrued payroll and payroll taxes	2,857	2,986
Accrued closure and postclosure care expenses	319,970	-
General obligation bonds due within one year	<u>14,000</u>	<u>-</u>
	<u>340,703</u>	<u>17,122</u>
Non-current liabilities		
Accrued postclosure care expenses	734,775	823,255
General obligation bonds due after one year	166,000	
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	20,168	210,804
Restricted for		
Closure and postclosure care	-	-
Unrestricted	<u>(142,311)</u>	<u>(115,486)</u>
	<u>(122,143)</u>	<u>95,318</u>
	<u>\$ 1,119,335</u>	<u>935,695</u>

See accompanying notes to financial statements.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
Statements of Revenues, Expenses and  
Changes in Net Assets  
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Gate fees	\$ 284,376	390,168
County and city per capita assessments	88,950	124,000
Withdrawing member contribution toward closure and postclosure care costs	201,159	-
Other	<u>2,904</u>	<u>1,531</u>
	<u>577,389</u>	<u>515,699</u>
Operating expenses		
Contractual costs	108,750	174,000
Engineering costs	79,684	43,484
Tonnage fees	14,477	26,060
Recycling fees	34,479	37,828
Advance to Southern Iowa Bioenergy, LLC	25,000	-
Leachate testing and disposal	1,914	22,379
Wages	37,535	51,310
Payroll taxes	3,042	4,306
Insurance	5,040	7,832
Repairs and maintenance	9,303	14,546
Depreciation and amortization	110,561	152,185
Write off of transfer station planning costs	80,075	-
Utilities	2,038	2,869
Legal and accounting fees	22,181	74,275
Office supplies	1,033	2,093
Closure and postclosure care	256,759	279,186
Other	<u>4,659</u>	<u>3,575</u>
	<u>796,530</u>	<u>895,928</u>
Operating loss	<u>(219,141)</u>	<u>(380,229)</u>
Non operating revenues (expenses)		
Interest income	3,301	6,995
Interest expense	<u>(1,621)</u>	<u>(2,840)</u>
	<u>1,680</u>	<u>4,155</u>
Decrease in net assets	(217,461)	(376,074)
Net assets, beginning of year	<u>95,318</u>	<u>471,392</u>
Net assets (deficit), end of year	<u>\$ (122,143)</u>	<u>95,318</u>

See accompanying notes to financial statements.



# CLARKE COUNTY SANITARY LANDFILL COMMISSION

## Statements of Cash Flows Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received from gate fees	\$ 328,418	390,568
Cash received from per capita fees	89,918	127,931
Cash received from withdrawing member	201,159	-
Cash received from other operating revenues	2,904	1,531
Cash paid to suppliers for goods and services	(320,439)	(480,266)
Cash paid to suppliers for closure costs	(25,269)	-
Cash paid to employees for services	(40,706)	(55,540)
Net cash provided (used) by operating activities	<u>235,985</u>	<u>(15,776)</u>
Cash flows from capital and related financing activities		
Proceeds from general obligation bonds issued	180,000	-
Payment of principal on general obligation bonds	-	(40,000)
Interest expense paid	-	(2,840)
Net cash provided (used) by capital and related financing activities	<u>180,000</u>	<u>(42,840)</u>
Cash flows from investing activities		
Cash transferred to and reinvested in restricted account	(472,954)	(4,139)
Cash transferred from restricted account for payment of closure costs	16,264	-
Interest income received	3,132	7,888
Net cash provided (used) by investing activities	<u>(453,558)</u>	<u>3,749</u>
Net decrease in cash	(37,573)	(54,867)
Cash, beginning of year	<u>182,039</u>	<u>236,906</u>
Cash, end of year	<u>\$ 144,466</u>	<u>182,039</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating loss	\$ (219,141)	(380,229)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization expense	110,561	152,185
Accrued closure and postclosure care expenses	231,490	279,186
Write off of transfer station planning costs	80,075	-
Decrease in accounts receivable	45,010	4,331
Decrease in accounts payable and accrued liabilities	(12,010)	(71,249)
Net cash provided (used) by operating activities	<u>\$ 235,985</u>	<u>(15,776)</u>

See accompanying notes to financial statements.

# CLARKE COUNTY SANITARY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clarke County Sanitary Landfill Commission (the "Commission") was established as the result of an agreement under the provisions of Chapter 28E of the Iowa Code between the County of Clarke, Iowa and the municipalities of Osceola, Murray and Woodburn, being a majority of the local governmental jurisdictions comprising the Clarke County area. In January 2011 the City of Osceola withdrew from the Commission when the landfill stopped collecting solid waste. Following arbitration, the City of Osceola paid the Commission \$201,159 to fund its share of the estimated unfunded closure and postclosure care costs as of the date of closure.

The purpose of the Commission is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the prescribed area and to cooperate with local, State and Federal agencies in preventing the contamination and pollution of the land, water and air resources of the area, through the control, collection and disposal of solid waste.

The governing board membership consists of a representative of the governing body of each participant governmental jurisdiction and one individual selected by the representatives of the governing bodies.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

- A. Reporting Entity – For financial reporting purposes, the Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. Clarke County Sanitary Landfill Commission has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Presentation - The accounts of the Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
Notes to Financial Statements - Continued  
June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– Continued

- C. Measurement Focus and Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applied all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- D. Assets, Liabilities and Net Investments – The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
Notes to Financial Statements - Continued  
June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– Continued

D. Assets, Liabilities and Net Investments (Continued) –

Capital Assets (Continued) –

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Land improvements	3-20
Buildings and improvements	15-30
Equipment and vehicles	5-10

2. CASH AND INVESTMENTS

The Commission's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

# CLARKE COUNTY SANITARY LANDFILL COMMISSION

## Notes to Financial Statements - Continued

June 30, 2011 and 2010

### 3. CAPITAL ASSETS

A summary of capital assets at June 30, 2011 is as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets being depreciated:				
Land improvements	\$ 1,153,304	-	-	1,153,304
Buildings and improvements	110,186	-	80,075	30,111
Equipment	39,939	-	-	39,939
Total capital assets being depreciated	1,303,429	-	80,075	1,223,354
Less accumulated depreciation for:				
Land improvements	1,043,250	109,654	-	1,152,904
Buildings and improvements	9,931	565	-	10,496
Equipment	39,444	342	-	39,786
Total accumulated depreciation	1,092,625	110,561	-	1,203,186
Total capital assets, net	\$ 210,804	(110,561)	(80,075)	20,168

During 2011, the Commission determined \$80,075 of costs previously incurred and capitalized for planning and design of a possible transfer station to be constructed on the landfill site should be written off and expensed because the Commission no longer plans to pursue construction of a transfer station.

### 4. GENERAL OBLIGATION BONDS

In April 2011 Clarke County issued \$180,000 of General Obligation Solid Waste Disposal Bonds, Series 2011 and transferred the funds to the Commission to fund a portion of the estimated unfunded closure and postclosure care costs as of the date of closure of the landfill. Although the bonds are the legal obligation of Clarke County it is the intent of the Commission to assess per capita fees from its members sufficient to retire the bonds as they come due. Accordingly, the general obligation bonds have been reflected as a debt of the Commission in the accompanying financial statements.

Annual debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 14,000	7,564
2013	16,000	6,008
2014	17,000	5,464
2015	17,000	4,886
2016	18,000	4,308
2017 - 2021	98,000	11,299
	<u>\$ 180,000</u>	<u>39,529</u>

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
Notes to Financial Statements - Continued  
June 30, 2011 and 2010

5. CLOSURE AND POSTCLOSURE CARE COSTS

In December 2008 the Commission entered into an administrative consent order with the Iowa Department of Natural Resources agreeing to close all active cells and accept no additional waste after December 31, 2011.

To comply with Federal and State regulations, the Commission is required to complete a monitoring system plan and closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Government Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The costs for the Commission have been estimated at \$314,316 for closure and \$657,698 for postclosure care, respectively, for cells 1 through 6 and \$108,000 for postclosure care for a landfill area closed prior to 1993 for a total of \$1,080,014 as of June 30, 2011. A provision for this liability has been made on the Commission's balance sheet as of June 30, 2011, based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

During the year ended June 30, 2011 the Commission began closure procedures for cells 1 through 6 and incurred \$25,269 of costs related to the closure. Amounts incurred have reduced the estimated liability for closure costs and the related restricted assets account as of June 30, 2011.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
Notes to Financial Statements - Continued  
June 30, 2011 and 2010

5. CLOSURE AND POSTCLOSURE CARE COSTS - Continued

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has accumulated resources to fund these costs for cells 1 through 6 and, at June 30, 2011, assets of \$946,745 are restricted for these purposes, of which \$289,047 is for closure and \$657,689 is for postclosure care. They are reported as restricted assets and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the letter of credit mechanism.

6. SOLID WASTE TONNAGE FEES RETAINED

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2011, there were no unspent amounts retained by the Commission and restricted for the required purposes.

7. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

8. CONTRACTUAL COSTS

As of June 30, 2011, the Commission had entered into contracts of \$64,050 for engineering and supervision and \$200,479 for excavation and seeding related to the closure of cells 1 through 6 of the landfill. Engineering costs of \$23,650 were incurred and paid prior to June 30, 2011.



# Shull and Co. P.C.

certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Clarke County Sanitary Landfill Commission

We have audited the accompanying financial statements of Clarke County Sanitary Landfill Commission as of and for the year ended June 30, 2011, and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clarke County Sanitary Landfill Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarke County Sanitary Landfill Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County Sanitary Landfill Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Clarke County Sanitary Landfill Commission financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Clarke County Sanitary Landfill Commission's internal control described in the accompanying Schedule of Findings to be material weaknesses.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarke County Sanitary Landfill Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Clarke County Sanitary Landfill Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Clarke County Sanitary Landfill Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarke County Sanitary Landfill Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Shall E. G., P.C.*

November 4, 2011

CLARKE COUNTY SANITARY LANDFILL COMMISSION

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**Significant Deficiencies:**

- 11-A Segregation of Duties - During our review of the internal control over financial reporting, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Commission's financial statements. We noted that one individual performs all record-keeping and reconciliation functions for the Commission.

Recommendation - We realize that with a limited number of employees, segregation of duties is impractical. We recommend the Commission Board review monthly receipts and disbursements, accounts receivable and payable lists and bank reconciliations for unusual or unauthorized transactions.

Response and Corrective Action Planned - We have reviewed the number of staff necessary to perform accounting duties for the Commission and have no plans to add staff. The Commission Board is aware of the possibility for errors or irregularities to occur. In addition, we have formalized Board review of monthly financial information, including lists of accounts receivable and accounts payable and the bank reconciliations.

Conclusion - Response accepted.

- 11-B Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and training to select and apply accounting principles and prepare financial statements including footnote disclosures. Management presently lacks the training to appropriately fulfill these responsibilities.

Recommendation - This situation is very common in small entities. Obtaining additional knowledge through reading accounting literature or attending professional education courses should help management improve their ability to prepare and take responsibility for reliable financial statements prepared in accordance with generally accepted accounting principles.

Response - We will consider this.

Conclusion - Response accepted.

CLARKE COUNTY SANITARY LANDFILL COMMISSION  
Schedule of Findings (Continued)  
Year ended June 30, 2011

**Other Findings Related to Required Statutory Reporting:**

- 11-1     Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-2     Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- 11-3     Board Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 11-4     Deposits and Investments - The Association has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa

Recommendation - The Commission should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the code of Iowa.

Response - The Commission will adopt a written investment policy as required.

Conclusion - Response accepted.

- 11-5     Solid Waste Fees Retainage - During the year ended June 30, 2011, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- 11-6     Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care of cells 1 through 6 by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	Cells 1 through 6
Tortal estimated costs for closure and postclosure care	\$ 972,014
Closure costs incurred through June 30, 2011	(25,269)
Balance of funds held in local dedicated fund as of June 30, 2011	<u>(946,745)</u>
	<u>\$ -</u>